

**Annual Budget of**  
**uMshwathi**  
**Municipality**

**2017/18 To 2019/20**  
**Medium Term Revenue and Expenditure**  
**Forecasts**

## Table of Contents

<b>PART 1 – ANNUAL BUDGET</b>	<b>1</b>
1.1 MAYOR’S REPORT	1
1.2 COUNCIL RESOLUTIONS	3
1.3 EXECUTIVE SUMMARY	4
1.4 OPERATING REVENUE FRAMEWORK	6
1.5 OPERATING EXPENDITURE FRAMEWORK	10
1.6 CAPITAL EXPENDITURE	13
1.7 CASH FLOW	14
1.8 ANNUAL BUDGET TABLES	14
<b>PART 2 – SUPPORTING DOCUMENTATION</b>	<b>27</b>
2.1 OVERVIEW OF THE ANNUAL BUDGET PROCESS	27
2.2 OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP	30
2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS	32
2.4 OVERVIEW OF BUDGET RELATED-POLICIES	35
2.5 OVERVIEW OF BUDGET ASSUMPTIONS	37
2.6 OVERVIEW OF BUDGET FUNDING	38
2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS	41
2.8 COUNCILLOR AND EMPLOYEE BENEFITS	42
2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW	44
2.10 ANNUAL BUDGETS AND SDBIPS – INTERNAL DEPARTMENTS	52
2.11 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS	54
2.12 CAPITAL EXPENDITURE DETAILS	54
2.13 LEGISLATION COMPLIANCE STATUS	61
2.14 OTHER SUPPORTING DOCUMENTS	61
2.15 MUNICIPAL MANAGER’S QUALITY CERTIFICATE	62

## List of Tables

Table 1 Consolidated Overview of the 2015/16 MTREF	6
Table 2 Summary of revenue classified by main revenue source	7
Table 3 Percentage growth in revenue by main revenue source	7
Table 4 Operating Transfers and Grant Receipts	8
Table 5 MBRR Table SA14 – Household bills	10
Table 6 Summary of operating expenditure by standard classification item	11
Table 7 2015/16 Medium-term capital budget per vote	13
Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)	19
Table 9 Budget Process	27
Table 10 Budget Funding	38
Table 11 Grant Funding	39
Table 12 MBRR Table A7 - Budget cash flow statement	40

Table 13 MBRR SA19 - Expenditure on transfers and grant programmes.....	41
Table 14 MBRR SA22 - Summary of councillor and staff benefits .....	42
Table 15 MBRR SA24 – Summary of personnel numbers .....	43
Table 16 MBRR SA25 - Budgeted monthly revenue and expenditure .....	44
Table 17 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote).....	45
Table18 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification).....	47
Table 19 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote) .....	49
Table 20 MBRR SA29 - Budgeted monthly capital expenditure (standard classification) .....	49
Table 21 MBRR SA30 - Budgeted monthly cash flow.....	50
Table 22 SDBIP Expenditure .....	53
Table 23 SDBIP Income .....	53
Table 24 MBRR SA 34a - Capital expenditure on new assets by asset class.....	54
Table 25 MBRR SA 34b - Capital expenditure on the renewal of existing assets by Asset Class.....	54
Table 26 MBRR SA34c - Repairs and maintenance expenditure by asset class.....	56
Table 27 MBRR SA34d - Depreciation by Asset Class.....	56
Table 28 MBRR SA36 - Detailed capital budget per municipal vote .....	58
Table 29 MBRR SA38 - Consolidated details operational Projects.....	60

## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kl	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

## **Part 1 – Annual Budget**

### **1.1 Mayor's Report**

Good morning fellow Councillors, Amakhosi neziNduna, officials, ladies and gentlemen.

It is indeed a great pleasure to stand before you today to present the Budget for 2017/18.

The process of preparing the budget started in August 2016 with the adoption of the budget process plan by Council. The draft budget was tabled and approved by Council on 30 March 2017. A joint budget imbizo was held with the District on 05 April 2017. The draft budget was advertised in the newspaper and made available for public comment. The final budget is presented to Council after various interactions with the communities and ratepayer associations. I would like to take this opportunity to thank each and every one of you for your contribution to the processes that have ensured that uMshwathi once again was able to meet all the requirements pertaining to the finalization of the budget and IDP for the 2017/2018 financial year.

The tabling and adoption of the budget today will make it possible for the municipality to once again submit its budget to the respective Treasuries timeously. Again, your contribution is duly acknowledged.

In arriving at this milestone, the municipality has complied with the requirements of the Municipal Finance Management Act, particularly in terms of the timeframes and format. There has been extensive public consultation with all relevant stakeholders which culminated in a joint IDP/Budget Imbizo on 05 April 2017.

I am confident that the budget is credible and is aligned to the IDP. We must all be mindful of the fact that it is not possible for the municipality to implement all the projects that have been requested by the communities in one year. The top three prioritised projects will be implemented over the next three years.

The budgetary constraints compel the municipality to prioritize projects and implement projects within the limits of the available financial resources. This is what we must all make the communities to understand. On administration side we all, that is councillors and officials, will have to be mindful of the recommended cost containment measures to be implemented by all government departments at all levels.

**The highlights of the Budget for 2017/18 are as follows:**

The total budget commitment for the 2017/18 financial year is as follows:

Operating Expenditure : R 138.411 million

Capital Expenditure : R 40.516 million

**Total : R 178.927 million**

### Revenue Projections

Council is hereby informed that the total Revenue Estimates for the 2017/2018 financial year amounts to R178.927 million.

The main income source is attributable to the Rates income and equitable share as shown below:

Rates	: R 31.000 million
Services	: R 1.950 million
Operational Grants	: R 93.674 million
Capital Grants	: R 39.016 million
INEP Grant	: R 3 000 million
Other Income	: R 10.287 million

The above revenue will be applied to meet the expenditure in the normal running of the council's business. The salient features of expenditure are as follows:

**Councillor Allowances and Salaries : R 68.664 million**

An increase of 7.5% has been budgeted for salaries.

**General Expenditure : R 53.857 million**

**Repairs and Maintenance : R15.390 million**

The repairs and maintenance budget was prepared taking into account the requirements of the technical department.

### Capital Expenditure

The total capital budget is estimated at R40.516 million and it is divided as follows:

• Roads	: R 12.200 million
• Halls	: R 3.600 million
• Creches	: R 2.400 million
• High Mast Light	: R 1.100 million
• Sports field	: R 12.700 million
• Housing Infrastructure	: R 5.500 million
• Taxi Rank	: R 1.400 million
• Consultants	: R 0.116 million

**Total Projects : R 39.016 million**

• Plant & Equipment	: R 1.500 million
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**Total : R 40.516 million**

## 1.2 Council Resolutions

On 31 May 2017 the uMshwathi Municipal Council met in the Council Chambers to consider the annual budget of the municipality for the 2017/18 financial year. The Council approved and adopted the following resolutions:

- (a) That the operating and capital budgets for the 2017/2018 financial year and the two outer years herewith annexures 1 and 2, be approved by the Council in terms of section 16 (2) of the Municipal Finance Management Act 56/2003,
- (b) That in terms of section 2 of the Local Government Municipal Property Rates Act 6/2004, as amended, the general rate to be levied on the market value of all ratable property for the 2017/2018 financial year be adjusted and set as follows:
  - Commercial, residential, industrial and vacant properties:  
R0, 016907953,
  - Agricultural properties and Public Service Infrastructure properties:  
R0.004226988
- (c) That in terms of terms of section 15 of the Municipal Property Rates Act 6/2004 the following exemptions, reductions and rebates are applied or the 2017/2018 financial year;
  - Rates on public service infrastructure be phased out in terms of the latest amendments to the Municipal Property Rates Act,
  - No rate be applied to the first fifteen thousand rand (R 15 000) of the market value of residential and multipurpose residential properties in terms of section 17(1) (h) of the Municipal Property Rates Act 6/2004,
  - The following rebates/ reductions will be applied to the respective categories of properties;

Residential properties;	35%
Agricultural Properties;	56%
Rural Residential	63%

An additional rebate of 5% on net rates payable is applied on total rates paid up by 31 August 2017.

Public Benefit Organisations who serve the local interests and are approved by the SA Revenue Services and referred to specifically in terms of section 18A and Part 1 of the 9<sup>th</sup> Schedule of the Income Tax Act 58/1962 will receive a rebate of 100%

Qualifying applicants, in terms of the municipality's Rates Policy, who are over the age of 60 years and or are Disabled persons and who are the sole owners of their properties and who permanently reside thereon will receive an additional rebate calculated on their joint income as follows:

Joint income of between 0 and R 2500 per month	30%
Joint income of between R 2501 and R 3500 per month	20%
Joint income of between R 3501 and R 4500 per month	10%

- (d) That in terms of section 26 (1) (a) of the Municipal Property Rates Act 6/2004 the general rates for the 2017/ 2018 financial year be recovered in 12 monthly instalments and that the final date and time for payment of each monthly instalment be 15:00 hours on the last working day of each month,
- (e) That the budgeted salary increase as negotiated and finalised by the Bargaining Council for staff be implemented from 1 July 2017.
- (f) That the Tariff of Charges be reviewed and amended accordingly.
- (g) That the budget, once adopted be submitted to the National and Provincial Treasuries.
- (h) That Council's rates policy is amended to take into account the rebate as per paragraph (c) and the tariff policy is amended to take into account the tariff changes.
- (i) That Provincial Treasury's assessment of the 2017/18 draft budget be noted.

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality to concentrate on direct service delivery.

The municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the municipality has undertaken to implement various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circulars Nos. 85 and 86a on Cost Containment Circular 82 were used to guide the compilation of the 2017/18 MTREF.



The main challenges experienced during the compilation of the 2017/18 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads infrastructure;
- The need to reprioritise projects and expenditure within the existing financial resources of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – allocations had to be limited the MIG allocation for the 2016/17 financial year; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the draft 2017/18 MTREF:

- The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the draft 2017/18 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- As far as possible there will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- A budget was set for the following items and allocations to these items had to be supported by a list and/or motivation setting out the intention and cost of the expenditure which was used to prioritise expenditures:
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - HIV/Aids
  - Youth Programs
  - Social Empowerment
  - Sports Promotion
  - Woman Empowerment
  - Refreshments;
  - Ad-hoc travelling; and
  - Subsistence, Travelling & Conference fees.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2017/18 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2016/17 MTREF**

	<b>Adjusted Budget: 2016/17</b>	<b>Budget Year: 2017/18</b>	<b>Budget Year +1: 2018/19</b>	<b>Budget Year +2: 2019/20</b>
Total Income	<b>163,198,000.00</b>	<b>178,927,000.00</b>	<b>171,923,000.00</b>	<b>181,446,000.00</b>
Total Operating Expenditure	<b>134,569,000.00</b>	<b>138,411,000.00</b>	<b>142,480,000.00</b>	<b>150,937,000.00</b>
<b>Surplus/-Deficit</b>	<b>28,629,000.00</b>	<b>40,516,000.00</b>	<b>29,443,000.00</b>	<b>30,509,000.00</b>

Total operating revenue has increased by 9.6 per cent for the 2017/18 financial year when compared to the 2016/17 adjusted revenue. For the two outer years, operational revenue is expected to decrease by 3.9 per cent and increase by 5.5 per cent respectively, equating to a total revenue growth of 11.1 per cent over the MTREF when compared to the 2016/17 financial year.

Total operating expenditure for the 2017/18 financial year has been appropriated at R138.411 million. When compared to the 2016/17 adjusted budget, operational expenditure has increased by 2.9 per cent in the 2017/18 budget and increased by 2.8 and 5.9 per cent for each of the respective outer years of the MTREF.

The capital budget of R 40.516 million for 2017/18 is almost the same as the 2016/17 adjusted budget.

## **1.4 Operating Revenue Framework**

For uMshwathi Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipal area and continued economic development;
- Efficient revenue management, which aims to ensure at least a 90 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) as amended (MPRA);

- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

It must be noted that the municipality's only source of own income is rates and refuse collection thus being highly grant dependent. The municipality is always on the lookout for other sources of income to enhance its revenue base.

The following table is a summary of the 2017/18 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Vote Description R thousand	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue by Vote</b>			
Vote 1 - Council General	101,419	101,743	103,980
Vote 2 - Rates	31,000	32,900	36,900
Vote 6 - Library Services	2	2	2
Vote 8 - Traffic	300	350	375
Vote 9 - Motor Licensing	1,950	2,100	2,200
Vote 12 - Public Works	42,241	32,698	35,784
Vote 13 - Cemetery/Community Halls	65	80	105
Vote 15 - Waste/Refuse Removal	1,950	2,050	2,100
<b>Total Revenue by Vote</b>	<b>178,927</b>	<b>171,923</b>	<b>181,446</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description R thousand	2017/18 Medium Term Revenue & Expenditure Framework					
	Budget Year 2017/18	% age	Budget Year +1 2018/19	% age	Budget Year +2 2019/20	% age
<b>Revenue By Source</b>						
Property rates	31,000	22.16%	32,900	23.09%	36,900	24.44%
Service charges - refuse revenue	1,950	1.39%	2,050	1.44%	2,100	1.39%
Rental of facilities and equipment	450	0.32%	500	0.35%	550	0.36%
Interest earned - external investments	1,200	0.86%	1,000	0.70%	1,000	0.66%
Interest earned - outstanding debtors	5,000	3.57%	4,500	3.16%	4,000	2.65%
Fines, penalties and forfeits	1,302	0.93%	1,352	0.95%	1,127	0.75%
Agency services	1,950	1.39%	2,100	1.47%	2,200	1.46%
Transfers and subsidies	96,674	69.10%	97,638	68.53%	102,570	67.95%
Other revenue	385	0.28%	440	0.31%	500	0.34%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>139,911</b>	<b>100%</b>	<b>142,480</b>	<b>100%</b>	<b>150,947</b>	<b>100.00%</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a minor percentage of the revenue basket for the municipality namely +/- 34 per cent of the total revenue mix. Although Investments are budgeted to increase during the budget year interest on investments is conservatively budgeted at the same amount as the current year. If interest is increased by a significant amount the budget will be increased during the adjustments budget process.

Revenue from property rates is the second largest revenue source totaling around 20 per cent of the total revenue for the year.

Operating grants and transfers for the 2016/17 year showed a significant decrease of 14.4 percent as compared to the 2015/16 financial year. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
<b>Operating Transfers and Grants</b>			
<b>National Government:</b>	<b>94,342</b>	<b>96,659</b>	<b>101,547</b>
Local Government Equitable Share	87,377	91,504	94,392
Finance Management	1,900	2,155	2,155
Integrated National Electrification Programme	3,000	3,000	5,000
EPWP Incentive	2,065	–	–
<b>Provincial Government:</b>	<b>2,332</b>	<b>979</b>	<b>1,023</b>
<i>Provincial Cogta</i>	1,400	–	–
<i>Arts and Culture</i>	932	979	1,023
<b>Total Operating Transfers and Grants</b>	<b>96,674</b>	<b>97,638</b>	<b>102,570</b>

The breakdown of the grants from the provincial government is as follows:

Cogta: Land use Management	1000 000.00
Spatial Development Framework	400 000.00
Arts & Culture: Provincialisation of Libraries	744 000.00
Community Library Services	188 000.00

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The general rates rand-age to be applied for the 2017/18 financial year is 0,016907953, (a 6 per cent increase) for residential, commercial, industrial and vacant properties. The rate rand-age applicable to agricultural and public service infrastructure will be 0.004226988. The municipality has taken the decision to phase out the rating of public service infrastructure over the next five years.

National Treasury's MFMA Circulars Nos. 85 and 86 deals, inter alia with the implementation of the Municipal Property Rates Act and the amended regulations issued by the Department of Co-operative Governance. The amended regulations come into effect on 1 July 2016 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties. The Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA;
- 35 per cent rebate will be granted on all residential properties;
- 63 per cent rebate will be granted on properties categorized as rural residential;
- 56 per cent rebate will be granted on all agricultural properties;
- 100 per cent rebate will be granted to registered Public Benefit organisations;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 20 per cent calculated on a sliding scale in terms of the municipality's Rates Policy. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependents without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.

#### **1.4.2 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is only provided in the four urban areas of the municipality. It is proposed that the service will be extended to the rural areas as well. However it must be noted that the rural areas are significantly indigent and the extension of the service will not have an

impact on the revenue raised for this service. The tariff for the 2017/18 financial year will be increased by 6%. A schedule of tariffs is attached to the budget document.

### 1.4.3 Other Sources of Revenue

The reduced budget for 5 million rand for interest on outstanding debtors is based on the understanding that the debt owed by the Department of Water and Sanitation is settled during the current year.

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 5 MBRR Table SA14 – Household bills**

Description			
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Monthly Account for Household - 'Middle Income Range'</b>			
<b>Rates and services charges:</b>			
Property rates	1,212.87	1,285.64	1,362.78
Refuse removal	124.40	131.86	139.77
Other			
sub-total	1,337.27	1,417.50	1,502.55
<b>Monthly Account for Household - 'Affordable Range'</b>			
<b>Rates and services charges:</b>			
Property rates	322.41	341.75	362.26
Refuse removal	124.40	131.86	139.77
Other			
sub-total	446.81	473.61	502.03
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>			
<b>Rates and services charges:</b>			
Property rates	46.05	48.81	51.74
Refuse removal	124.40	131.86	139.77
Other			
sub-total	170.45	180.67	191.51

## 1.5 Operating Expenditure Framework

The municipality's expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication in terms the IDP;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan, no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2017/18 budget and MTREF (classified per main type of operating expenditure):

**Table 6 Summary of operating expenditure by standard classification item**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
Employee related costs	59,664	64,188	69,030
Remuneration of councillors	9,000	9,460	10,060
Debt impairment			
Depreciation & asset impairment	11,500	12,000	13,000
Finance charges	1,200	1,080	995
Bulk purchases	–	–	–
Other materials			
Contracted services	28,871	29,366	32,191
Transfers and subsidies	2,000	2,000	2,000
Other expenditure	26,176	24,416	23,661
Loss on disposal of PPE			
<b>Total Expenditure</b>	<b>138,411</b>	<b>142,480</b>	<b>150,937</b>

The budgeted allocation for employee related costs for the 2017/18 financial year totals R68.664 million, which equals 49.0 per cent of the total operating expenditure. In terms of the collective agreement between SALGBC and Labour and increase of average CPIX plus one percent was agreed upon for the 2017/18 year. Accordingly salary increases have been factored into this budget at a percentage increase of 7.5 per cent for the 2017/18 financial year. The overall increase compared to the 2016/17 budget is lower than 7.5% because vacancies budgeted for in the 2016/17 year were not filled and the salary budget for the 2017/18 year is based on the current compliment of employees. The increase will cover the increase and annual salary notch increases and increase due to revised job evaluation of certain posts. An annual

increase of 7.5 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Cooperative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). An increase of 7.5 on the upper limits in line with the latest Government Gazette has been budgeted for. The budget for 2016/17 was overstated thus the increase of 7.5% for 2017/18 is based on the actual allowances for 2016/17.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. There is no provision for debt impairment in the budget because the municipality is currently in the process of carrying out a data cleansing exercise of its debtors and once finalised adjustments will be made as at 30 June 2017. If need be impairment will be considered during the adjustment budget process in January.

Although a budget of R500 000.00 is provided for Performance Bonuses for Senior Managers (s57 managers) it must be noted that performance bonuses are only paid on affordability.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.0 per cent (R1.2 million) of operating expenditure excluding annual redemption for 2017/18. The budget for finance charges is based on loan schedules available and finance charges paid in the current year. There may be a slight over provision which can be adjusted for during adjustment budget process. Previously the budget for finance charges included the repayment of the capital portion. This has now been corrected and the line item for finance charges only covers the interest portion of the loans.

Contracted services have been identified as a cost saving area for the municipality. As part of the compilation of the 2017/18 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2017/18 financial year, this group of expenditure totals R28.871 million. Further details relating to contracted services can be seen in MBRR SA1.

Other expenditure comprises of various line items relating to the daily operations of the municipality. In line with the municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the municipality's infrastructure. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.

### **1.5.1 Priority given to repairs and maintenance**

Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.



During the compilation of the 2017/18 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality's infrastructure and historic deferred maintenance.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. Currently only Free Basic Electricity is being provided through Eskom. The target is to register 4 000 or more indigent households during the 2017/18 financial year, a process which will be reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

### 1.5.3 mSCOA Implementation

The budget has been broken down in the mSCOA format for uploading on to the treasury portal by 31 March 2017.

## 1.6 Capital Budget

The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 7: 2015/16 Medium-term capital budget per vote.**

Vote Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
<b>Capital Expenditure - Functional</b>			
Executive and council	1,500	-	-
Community and social services	7,216	1,943	18,499
Sport and recreation	12,700	2,500	-
Housing Infrastructure	5,500	-	-
Road transport	13,600	25,000	12,499
	<b>40,516</b>	<b>29,443</b>	<b>30,499</b>

For 2017/18 an amount of R 40.516 million has been allocated for the development of infrastructure. Transport and roads has been allocated the highest allocation of R 19.4 million in 2017/18.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

• Roads	: R 12.200 million
• Halls	: R 3.600 million
• Creches	: R 2.400 million
• High Mast Light	: R 1.100 million
• Sports field	: R 12.700 million
• Housing Infrastructure	: R 5.500 million
• Taxi Rank	: R 1.400 million
• Consultants	: R 0.116 million
<b>Total Projects</b>	<b>: R 39.016 million</b>
• Plant & Equipment	: R 1.500 million
<b>Total</b>	<b>: R 40.516 million</b>

### 1.6.1 Capital Revenue

With only rates and revenue as the main sources of income the municipality is heavily dependent on grants for infrastructure development. If the debt of +/- 40 million rand owed by water affairs is recovered soon the municipality will be in position to fund capital projects internally.

### 1.6.2 Capital Expenditure

#### New assets and renewal of assets

The only infrastructure that the municipality has is roads, halls municipal buildings and sports fields. The upkeep of this infrastructure is budgeted for through the repairs and maintenance budget. The municipality has not met the requirement of 40% of Capital expenditure to be spent on renewal of assets. The municipality is of the opinion that its maintenance program adequately covers the upkeep of its assets. Furthermore 28% of the MIG allocation is for one project namely a sports field.

#### GPS Co-ordinates

The municipality is in the process of obtaining GPS co-ordinates for all its infrastructure and is hoping to have them on the assets register as at 30 June 2016.

#### Future operational cost of new infrastructure

Future operational costs are included in Table SA35.

### 1.7 Cash Flow

The budgeted receipt of 85% of interest earned on outstanding debtors is considered acceptable because the municipality has embarked on a stringent debt collection drive towards the latter part of the current year. Furthermore the amount of +/- 43 million owed

by the Department of Water Affairs is expected to be received early in the 2017/18 financial year. The municipality has appointed attorneys to assist in taking the debt collection process to the legal action stage where it is anticipated that the collection rate will increase in the future. If need be the budgeted cash flow will be adjusted during the adjustment budget process.

## **1.8 Annual Budget Tables**

The Annual Budget Tables (A1 to A10) are attached separately to the report. However explanations for each are given below:

**Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
    - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures.

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

**Table 8 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue By Source</b>			
Property rates	31,000	32,900	36,900
Service charges - electricity revenue	–	–	–
Service charges - water revenue	–	–	–
Service charges - sanitation revenue	–	–	–
Service charges - refuse revenue	1,950	2,050	2,100
Rental of facilities and equipment	450	500	550
Interest earned - external investments	1,200	1,000	1,000
Interest earned - outstanding debtors	5,000	4,500	4,000
Dividends received			
Fines, penalties and forfeits	1,302	1,352	1,127
Licenses and permits			
Agency services	1,950	2,100	2,200
Transfers and subsidies	96,674	97,638	102,570
Other revenue	385	440	500
Gains on disposal of PPE			
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>139,911</b>	<b>142,480</b>	<b>150,947</b>
<b>Expenditure By Type</b>			
Employee related costs	59,664	64,188	69,030
Remuneration of councillors	9,000	9,460	10,060
Debt impairment			
Depreciation & asset impairment	11,500	12,000	13,000
Finance charges	1,200	1,080	995
Bulk purchases	–	–	–
Other materials			
Contracted services	28,871	29,366	32,191
Transfers and subsidies	2,000	2,000	2,000
Other expenditure	26,176	24,416	23,661
Loss on disposal of PPE			
<b>Total Expenditure</b>	<b>138,411</b>	<b>142,480</b>	<b>150,937</b>
<b>Surplus/(Deficit)</b>	<b>1,500</b>	<b>0.00</b>	<b>10</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39,016	29,443	30,499
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R138.447 million in 2016/17.
2. Revenue to be generated from property rates net of rebates is R28.000 million in the 2016/17 financial year and increases to R29.680million by 2017/18. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent for each of the respective financial years of the MTREF.
3. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. The percentage share of this revenue source is in the region of 60%.
4. Employee related costs are the main cost driver within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.



**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The capital programme is funded from capital and provincial grants and transfers, and internally generated funds from current year surpluses.

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
2. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
3. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded. Reference is made to the explanatory notes for Table A4 where the reason for the deficit is given and how it will be corrected.

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance namely the mayor.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the following budget time schedule:

**Table 9 – Budget Process**

ACTIVITY No	THE EXECUTIVE MAYOR AND THE MUNICIPAL COUNCIL	DATE AND MONTH
1	<p><b>Mayor</b> - Tables in the Municipal Council a time schedule outlining key deadline dates:</p> <ul style="list-style-type: none"> <li>- Planning</li> <li>- Tabling and approving the budget</li> <li>- Reviewing the IDP (Sect 34 of the MSA)</li> <li>- Establish Budget and Treasury Steering committee (BTSC)</li> <li>- Budget related policies and consultation processes</li> </ul> <p><b>MFMA sect 21,22,23 and MSA sect 34, CH 4</b></p>	Municipal Council Resolution 31-Aug-16
2	<p><b>Mayor</b> - Commences with planning for the next three years in terms of Sect. 52 &amp; 53 of the MFMA</p>	01-Nov-16

	<ul style="list-style-type: none"> <li>- Review of the previous year's budget process</li> <li>- The completion of the Budget Evaluation Checklist</li> <li>- Revision of the 2011/2012 Integrated Development Plan</li> </ul>	First Meeting of the BTSC
3	<b>Municipal Council</b> - To undertake the IDP review process to: <ul style="list-style-type: none"> <li>- Determine strategic objectives for service delivery &amp; development for the next MTREF budget period</li> <li>- Review of provincial and national government sector and its strategic plans</li> </ul>	Municipal Council Resolution 31-Aug-16
4	<b>Mayor</b> - Convenes the meeting of the Budget & Treasury Steering Committee to discuss and debate the Medium Term Budget Policy Statement	30-Nov-16
5	<b>Mayor</b> - Tables the Medium Term Budget Policy Statement and the I.D.P in the Municipal Council for discussion, debate & adoption.	14-Dec-16 MC Resolution
6	<b>Mayor</b> - Tables the Final Draft of the MTREF Budget, I.D.P., SDBIP in the Municipal Council, 90 Days before the start of the financial year Publication of the MTREF Budget & I.D.P on website print media	31-Mar-17 10-Apr-17
7	<b>Mayor and Speaker of the Municipal Council</b> <ul style="list-style-type: none"> <li>- To engage in the Public Participation programme on the MTREF Budget, IDP and debate in the Municipal Council</li> <li>- Municipal Council to consider the submissions and views of the local communities, NT, PT, other provincial and national organs of State and municipal councils</li> <li>- Mayor to be provided with an opportunity to respond to submissions during consultations and table amendments for consideration by the Municipal Council.</li> </ul> <b>MFMA sect 23,24; MSA CH 4</b>	2nd week in May
8	<b>Mayor Tables and Municipal Council :</b> <ul style="list-style-type: none"> <li>- Must approve the 2017/2018 MTREF Budget, the I.D.P &amp; SDBIP by budget resolution approving changes to the IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before the start of the budget year.</li> </ul> <b>MFMA sect 16,24,26,53</b>	30-May-17
9	<b>Mayor</b> <ul style="list-style-type: none"> <li>- Must approve the SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with Sect 57(2) of the MSA.</li> <li>- Must ensure that APA are linked to the measurable performance objectives that were approved with the SDBIP and the budget.</li> <li>- Must submit the SDBIP and performance agreements to the Municipal Council, MEC for Local Government and makes public within 14 days after</li> </ul>	27-Jun-17



	approval. <b>MFMA sect 53 ; MSA sect 38-45, 57(2)</b>	
10	<b>Municipal Council</b>  - Must finalize a system of delegations <b>MFMA sect 59,79,82 ; MSA sect 59-65</b>	30-May-17 (proposed date)
	<b>Abbreviations :</b> <b>IDP</b> - Integrated Development Plan <b>MFMA</b> - Municipal Finance Management Act, no 56 of 2003 <b>MSA</b> - Local Government Municipal Systems Act, no 32 of 2000 <b>MTBPS</b> - National Treasury, Medium Term Budget and Policy Statement <b>NT</b> - National Treasury <b>PT</b> - Provincial Treasury <b>SDBIP</b> - Service Delivery Budget Implementation Plan	

There were no deviations from the key dates set out in the Budget Time Schedule tabled in Council.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to review included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2015/16. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2017/18 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2017/18 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### 2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2017/18 MTREF, extensive financial modelling was undertaken to ensure the affordability and long-term financial sustainability of the municipality. The following key factors and planning strategies have informed the compilation of the 2017/18 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends Performance trends
- The approved 2017/18 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 79 and 54 has been taken into consideration in the planning and prioritisation process.

#### **2.1.4 Community Consultation**

The final 2017/18 MTREF, as tabled before Council on 31 May 2017 was prepared with taking into account inputs from all department and input from various IDP Imbizos held in all wards.

Ward Committees were utilised to facilitate the IDP Imbizos in all wards.

### **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial Plans. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Issues of national and provincial importance should be reflected in the IDP of the municipality. A clear

understanding of such plans is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Alignment to the National Development Plan;
- Alignment to the Provincial Growth and Development Strategy;
- Consideration of the National Key Performance Indicators (NKPis);
- Consideration of the National Priority Outcomes.
- Consideration of the District Growth and Development

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide city planning services; and
  - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the municipality;
  - Ensuring planning processes function in accordance with set timeframes;
  - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - Effective implementation of the Indigent Policy;

- Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective municipal cleansing;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly coordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

The IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

## **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The municipality target, monitors, assesses and reviews organisational performance which in turn is directly linked to individual performance of heads of departments.

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

Unfortunately the main measurable performance objectives have not been finalised during this process but will be finalised and Table SA7 will be populated accordingly when the final budget is approved in May.

### 2.3.1 Performance indicators and benchmarks

#### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities the municipality's borrowing strategy is primarily informed by the affordability of debt repayments.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs.

#### 2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves.
- *The gearing ratio* is a measure of the total long term borrowings over funds and reserves.

#### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the City has set a limit of 1,
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

#### 2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework will have to be developed during the current MTREF. The intention of the framework will be to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

#### 2.3.1.5 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice.

#### 2.3.1.6 Other Indicators

- It is attempted to maintain Employee costs as a percentage of operating revenue in the region between 30 and 35 per cent.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is around 10%.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. Currently free basic electricity is supplied to registered users.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table MBRR A10 (Basic Service Delivery Measurement).

## **2.4 Overview of budget related-policies**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. The rates policy and other related policies is in the process of being reviewed and will be adopted with the final budget.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Credit Control and Debt Collection Policy is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 90 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy. Negotiations are almost at the final stages with the National Department of Water and Sanitation to recover the debt owed by them.

### **2.4.2 Asset Management, Infrastructure Investment and Funding Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base

The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the

policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets). The policy is also currently under review.

### **2.4.3 Budget Adjustment Policy**

The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

### **2.4.4 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in September 2012 and was reviewed and approved in December 2015. The policy is currently being reviewed and will be adopted by 30 June 2017.

### **2.4.5 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy has been reviewed in the current year and is awaiting Council approval.

### **2.4.6 Cash Management and Investment Policy**

The municipality's Cash Management and Investment Policy was amended by Council in 2010. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

### **2.4.7 Tariff Policies**

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

### **2.4.8 Rates Policy**

The municipality's rates policy is reviewed on an annual basis to factor in the latest rebate structures and any amendments to the Municipal Property Rates Act.

### **2.4.9 Indigent Policy**

The Indigent Policy is also currently under review and will be adopted by the end of 30 June 2017.



## **2.5 Overview of budget assumptions**

### **2.5.1 External factors**

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

### **2.5.2 General inflation outlook and its impact on the municipal activities**

There are four key factors that have been taken into consideration in the compilation of the 2017/18 MTREF:

- National Government macro-economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers; and
- The increase in the cost of remuneration. Employee related costs comprise 49.0 per cent of total operating expenditure in the 2017/18 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.

### **2.5.3 Credit rating outlook**

The credit rating of the municipality is a satisfactory 4 and is not expected to improve in the next year.

### **2.5.4 Collection rate for revenue services**

The rate of revenue collection is currently expressed as a percentage (85 per cent) of annual billings. Cash flow is assumed to be 85 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### **2.5.5 Salary increases**

The collective agreement regarding salaries/wages allows for an increase of average CPI plus 1 percent.

### **2.5.6 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to

align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## 2.5.7 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 100 per cent is achieved on operating expenditure and 95 per cent on the capital programme for the 2017/18 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook for both operating and capital revenue is as per table below:

**Table 10 – Budget Funding**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
<b><u>Revenue By Source</u></b>			
Property rates	31,000	32,900	36,900
Service charges - refuse revenue	1,950	2,050	2,100
Rental of facilities and equipment	450	500	550
Interest earned - external investments	1,200	1,000	1,000
Interest earned - outstanding debtors	5,000	4,500	4,000
Fines, penalties and forfeits	1,302	1,352	1,127
Agency services	1,950	2,100	2,200
Transfers and subsidies	96,674	97,638	102,570
Other revenue	385	440	500
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	39,016	29,443	30,499
	<b>178,927</b>	<b>171,923</b>	<b>181,446</b>

The following tables shows the operational and capital grants allocated to the municipality through Division of Revenue Act:

**Table 11 – Grant Funding**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand			
<b>Operating Transfers and Grants</b>			
<b>National Government:</b>	<b>94,342</b>	<b>96,659</b>	<b>101,547</b>
Local Government Equitable Share	87,377	91,504	94,392
Finance Management	1,900	2,155	2,155
Integrated National Electrification Programme	3,000	3,000	5,000
EPWP Incentive	2,065	–	–
<b>Provincial Government:</b>	<b>2,332</b>	<b>979</b>	<b>1,023</b>
<i>Provincial Cogta</i>	1,400	–	–
<i>Arts and Culture</i>	932	979	1,023
<b>Total Operating Transfers and Grants</b>	<b>96,674</b>	<b>97,638</b>	<b>102,570</b>
<b>Capital Transfers and Grants</b>			
<b>National Government:</b>	<b>39,016</b>	<b>29,443</b>	<b>30,499</b>
Municipal Infrastructure Grant (MIG)	39,016	29,443	30,499
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>135,690</b>	<b>127,081</b>	<b>133,069</b>

## 2.6.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 12 MBRR Table A7 - Budget cash flow statement**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates	27,000	28,000	30,000
Service charges	1,700	1,750	1,800
Other revenue	3,935	4,240	4,300
Government - operating	96,674	97,638	102,570
Government - capital	39,016	29,443	30,499
Interest	5,450	4,825	4,400
<b>Payments</b>			
Suppliers and employees	(123,711)	(129,651)	(139,143)
Finance charges	(1,200)	(1,100)	(1,000)
Transfers and Grants	(2,000)	(2,000)	(2,000)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>46,864</b>	<b>33,145</b>	<b>31,426</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds on disposal of PPE	–	–	–
Decrease (Increase) in non-current debtors	–	–	–
Decrease (increase) other non-current receivables	–	–	–
Decrease (increase) in non-current investments	–	–	–
<b>Payments</b>			
Capital assets	(40,516)	(29,443)	(30,499)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(40,516)</b>	<b>(29,443)</b>	<b>(30,499)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Short term loans	–	–	–
Borrowing long term/refinancing	–	–	–
Increase (decrease) in consumer deposits	–	–	–
<b>Payments</b>			
Repayment of borrowing	(3,000)	(3,000)	–
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>–</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>3,348</b>	<b>702</b>	<b>927</b>
Cash/cash equivalents at the year begin:	1,317	4,665	5,367
Cash/cash equivalents at the year-end:	4,665	5,367	6,294

The above table shows that cash and cash equivalents of the municipality have steadily increased over the past few years. This trend is expected to continue during the 2016/17 MTREF.

## 2.7 Expenditure on grants and reconciliations of unspent funds

Table 13 shows the expenditure on transfers and grants received. The municipality did not have any unspent grants for the past three years.

**Table 13 MBRR SA19 - Expenditure on transfers and grant programmes**

Description	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>EXPENDITURE:</b>			
<b>Operating expenditure of Transfers and Grants</b>			
<b>National Government:</b>	<b>94,342</b>	<b>96,659</b>	<b>101,547</b>
Local Government Equitable Share	87,377	91,504	94,392
Finance Management	1,900	2,155	2,155
Integrated National Electrification Programme	3,000	3,000	5,000
EPWP Incentive	2,065	–	–
<b>Provincial Government:</b>	<b>2,332</b>	<b>979</b>	<b>1,023</b>
<i>Provincial Cogta</i>	1,400	–	–
<i>Arts and Culture</i>	932	979	1,023
<b>Total operating expenditure of Transfers and Grants:</b>	<b>96,674</b>	<b>97,638</b>	<b>102,570</b>
<b>Capital expenditure of Transfers and Grants</b>			
<b>National Government:</b>			
Municipal Infrastructure Grant (MIG)	39,016	29,443	30,499
<b>Total Capital Expenditure of Transfers and Grants</b>	<b>39,016</b>	<b>29,443</b>	<b>30,499</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>135,690</b>	<b>127,081</b>	<b>133,069</b>

### 2.7.1 Allocations on Grants made by the Municipality

The only allocation made by the municipality is in the form of offering free basic electricity to those who are registered on the data base.

## 2.8 Councillor and employee benefits

**Table 14 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Councillors (Political Office Bearers plus Other)</b>			
Basic Salaries and Wages	6,000	6,300	6,700
Pension and UIF Contributions	210	220	240
Medical Aid Contributions			
Motor Vehicle Allowance	2,100	2,210	2,350
Cellphone Allowance	610	640	680
Housing Allowances			
Other benefits and allowances	80	90	90
<b>Sub Total - Councillors</b>	<b>9,000</b>	<b>9,460</b>	<b>10,060</b>
<b>% increase</b>	<b>-</b>	<b>5.1%</b>	<b>6.3%</b>
<b>Senior Managers of the Municipality</b>			
Basic Salaries and Wages	4,000	4,300	4,623
Pension and UIF Contributions	9	10	11
Performance Bonus	500	542	584
Motor Vehicle Allowance	1,050	1,130	1,220
Other benefits and allowances	67	72	77
<b>Sub Total - Senior Managers of Municipality</b>	<b>5,626</b>	<b>6,054</b>	<b>6,515</b>
<b>% increase</b>	<b>-</b>	<b>7.6%</b>	<b>7.6%</b>
<b>Other Municipal Staff</b>			
Basic Salaries and Wages	35,310	37,976	40,829
Pension and UIF Contributions	7,717	8,290	8,919
Medical Aid Contributions	2,615	2,817	3,030
Overtime	820	886	952
Motor Vehicle Allowance	1,780	1,917	2,056
Housing Allowances	583	628	675
Other benefits and allowances	5,213	5,620	6,054
<b>Sub Total - Other Municipal Staff</b>	<b>54,038</b>	<b>58,134</b>	<b>62,515</b>
<b>% increase</b>	<b>-</b>	<b>7.6%</b>	<b>7.5%</b>
<b>Total Parent Municipality</b>	<b>68,664</b>	<b>73,648</b>	<b>79,090</b>
	<b>-</b>	<b>7.3%</b>	<b>7.4%</b>

**Table 15 MBRR SA24 – Summary of personnel numbers**

Summary of Personnel Numbers	Current Year 2016/17			Budget Year 2017/18		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>						
Councillors (Political Office Bearers plus Other Councillors)	27		27	27		27
<b>Municipal employees</b>						
Municipal Manager and Senior Managers	5		5	5		5
Other Managers	18	7	11	18	7	11
<b>Professionals</b>	24	24	–	24	24	–
<i>Finance</i>	14	14		14	14	
<i>Information Technology</i>	1	1		1	1	
<i>Roads</i>	1	1		1	1	
<i>Other</i>	8	8		8	8	
<b>Technicians</b>	180	180	–	180	180	–
<i>Other</i>	180	180		180	180	
Clerks (Clerical and administrative)	12	12		12	12	
Service and sales workers	7	7		7	7	
<b>TOTAL PERSONNEL NUMBERS</b>	273	230	43	273	230	43

## 2.9 Monthly targets for revenue, expenditure and cash flow

**Table 16 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description  R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Revenue By Source</u></b>															
Property rates	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,620	31,000	32,900	36,900
Service charges - refuse revenue	163	163	163	163	163	163	163	163	163	163	163	163	1,950	2,050	2,100
Rental of facilities and equipment	38	38	38	38	38	38	38	38	38	38	38	38	450	500	550
Interest earned - external investments	0	0	0	0	0	0	0	0	0	0	0	1,199	1,200	1,000	1,000
Interest earned - outstanding debtors	417	417	417	417	417	417	417	417	417	417	417	417	5,000	4,500	4,000
Fines, penalties and forfeits	109	109	109	109	109	109	109	109	109	109	109	109	1,302	1,352	1,127
Agency services	163	163	163	163	163	163	163	163	163	163	163	163	1,950	2,100	2,200
Transfers and subsidies	41,532	–	1,932	–	30,745	–	–	–	22,465			–	96,674	97,638	102,570
Other revenue	32	32	32	32	32	32	32	32	32	32	32	33	385	440	500
Gains on disposal of PPE												–	–	–	–
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>45,032</b>	<b>3,500</b>	<b>5,432</b>	<b>3,500</b>	<b>34,245</b>	<b>3,500</b>	<b>3,500</b>	<b>3,500</b>	<b>25,965</b>	<b>3,500</b>	<b>3,500</b>	<b>4,740</b>	<b>139,911</b>	<b>142,480</b>	<b>150,947</b>
<b><u>Expenditure By Type</u></b>															
Employee related costs	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	59,664	64,188	69,030
Remuneration of councillors	750	750	750	750	750	750	750	750	750	750	750	750	9,000	9,460	10,060
Depreciation & asset impairment	958	958	958	958	958	958	958	958	958	958	958	959	11,500	12,000	13,000
Finance charges	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,100	1,000
Contracted services	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,416	28,871	29,366	32,191
Transfers and subsidies					165	165									



	165	165	165	165			165	165	165	165	165	185	2,000	2,000	2,000
Other expenditure	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,196	26,176	24,416	23,661
Loss on disposal of PPE												–	–	–	–
<b>Total Expenditure</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,530</b>	<b>11,578</b>	<b>138,411</b>	<b>142,480</b>	<b>150,937</b>
<b>Surplus/(Deficit)</b>	<b>33,501</b>	<b>(8,031)</b>	<b>(6,099)</b>	<b>(8,031)</b>	<b>22,714</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>14,434</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(6,837)</b>	<b>1,500</b>	<b>0.00</b>	<b>10.00</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	16,250				13,000				9,766			–	39,016	29,443	30,499
Transfers and subsidies - capital (in-kind - all)												–	–	–	–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>49,751</b>	<b>(8,031)</b>	<b>(6,099)</b>	<b>(8,031)</b>	<b>35,714</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>24,200</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(6,837)</b>	<b>40,516</b>	<b>29,943</b>	<b>30,509</b>
Share of surplus/ (deficit) of associate												–	–	–	–
<b>Surplus/(Deficit)</b>	<b>49,751</b>	<b>(8,031)</b>	<b>(6,099)</b>	<b>(8,031)</b>	<b>35,714</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>24,200</b>	<b>(8,031)</b>	<b>(8,031)</b>	<b>(6,837)</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>

Table 17 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue by Vote</b>															
Vote 1 - Council General	41,927	395	2,327	395	31,140	395	395	395	22,860	395	395	396	101,419	101,743	103,980
Vote 2 - Rates	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,580	2,620	31,000	32,900	36,900
Vote 6 - Library Services				1					1			–	2	2	2
Vote 8 - Traffic	25	25	25	25	25	25	25	25	25	25	25	25	300	350	375
Vote 9 - Motor Licensing	163	163	163	163	163	163	163	163	163	163	163	163	1,950	2,100	2,200
Vote 12 - Public Works	17,269	19	1,019	19	14,019	19	19	19	9,785	19	19	19	42,241	32,698	35,784
Vote 13 - Cemetery/Community Halls	5	5	5	5	5	5	5	5	5	5	5	6	65	80	105
Vote 15 - Waste/Refuse Removal					163	163									

	163	163	163	163			163	163	163	163	163	163	1,950	2,050	2,100
<b>Total Revenue by Vote</b>	<b>62,132</b>	<b>3,350</b>	<b>6,282</b>	<b>3,351</b>	<b>48,095</b>	<b>3,350</b>	<b>3,350</b>	<b>3,350</b>	<b>35,582</b>	<b>3,350</b>	<b>3,350</b>	<b>3,390</b>	<b>178,927</b>	<b>171,923</b>	<b>181,446</b>
<b><u>Expenditure by Vote to be appropriated</u></b>															
Vote 1 - Council General	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,123	13,466	14,427	15,527
Vote 3 - Municipal Manager	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492	1,492	17,904	17,481	18,747
Vote 4 - Corporate Services	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	1,985	23,823	25,213	26,289
Vote 5 - Community Services	946	946	946	946	946	946	946	946	946	946	946	946	11,352	12,165	13,107
Vote 6 - Library Services	148	148	148	148	148	148	148	148	148	148	148	148	1,773	1,902	2,044
Vote 7 - Municipal Buildings	417	417	417	417	417	417	417	417	417	417	417	417	5,000	4,000	4,000
Vote 8 - Traffic	269	269	269	269	269	269	269	269	269	269	269	270	3,229	3,461	3,707
Vote 9 - Motor Licensing	105	105	105	105	105	105	105	105	105	105	105	106	1,264	1,360	1,463
Vote 10 - Finance	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,131	2,132	25,577	26,832	28,570
Vote 11 - Technical Services	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	1,765	21,179	22,696	24,335
Vote 12 - Public Works	817	817	817	817	817	817	817	817	817	817	817	816	9,800	8,825	9,850
Vote 13 - Cemetery/Community Halls	98	98	98	98	98	98	98	98	98	98	98	98	1,179	1,303	1,433
Vote 14 - Environmental/Pound Management	88	88	88	88	88	88	88	88	88	88	88	89	1,060	1,060	1,060
Vote 15 - Waste/Refuse Removal	150	150	150	150	150	150	150	150	150	150	150	151	1,805	1,805	1,805
<b>Total Expenditure by Vote</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,538</b>	<b>138,411</b>	<b>142,480</b>	<b>150,937</b>
<b>Surplus/(Deficit) before assoc.</b>	<b>50,598</b>	<b>(8,184)</b>	<b>(5,252)</b>	<b>(8,183)</b>	<b>36,561</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>24,048</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>(8,148)</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>
Share of surplus/ (deficit) of associate												-	-	-	-
<b>Surplus/(Deficit)</b>	<b>50,598</b>	<b>(8,184)</b>	<b>(5,252)</b>	<b>(8,183)</b>	<b>36,561</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>24,048</b>	<b>(8,184)</b>	<b>(8,184)</b>	<b>(8,148)</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>

**Table 18 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

Description  R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Revenue - Functional</u></b>															
<b><i>Governance and administration</i></b>	<b>43,761</b>	<b>3,229</b>	<b>4,161</b>	<b>3,229</b>	<b>32,974</b>	<b>3,229</b>	<b>3,229</b>	<b>3,229</b>	<b>25,694</b>	<b>3,229</b>	<b>3,229</b>	<b>3,229</b>	<b>132,419</b>	<b>134,643</b>	<b>140,880</b>
Executive and council	40,571	39	971	39	29,784	39	39	39	22,504	39	39	40	94,144	95,163	98,150
Finance and administration	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,190	3,189	38,275	39,480	42,730
Internal audit												–	–	–	–
<b><i>Community and public safety</i></b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>67</b>	<b>82</b>	<b>107</b>
Community and social services	6	6	6	6	6	6	6	6	6	6	6	5	67	82	107
Sport and recreation												–	–	–	–
Public safety												–	–	–	–
Housing												–	–	–	–
Health												–	–	–	–
<b><i>Economic and environmental services</i></b>	<b>16,294</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>13,044</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>9,810</b>	<b>44</b>	<b>44</b>	<b>44</b>	<b>39,541</b>	<b>30,048</b>	<b>31,159</b>
Planning and development												–	–	–	–
Road transport	16,294	44	44	44	13,044	44	44	44	9,810	44	44	44	39,541	30,048	31,159
Environmental protection												–	–	–	–
<b><i>Trading services</i></b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>413</b>	<b>4,950</b>	<b>5,050</b>	<b>7,100</b>
Energy sources	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	5,000
Water management												–	–	–	–
Waste water management												–	–	–	–
Waste management	163	163	163	163	163	163	163	163	163	163	163	163	1,950	2,050	2,100
<b><i>Other</i></b>												<b>1,950</b>	<b>1,950</b>	<b>2,100</b>	<b>2,200</b>

<b>Total Revenue - Functional</b>	<b>60,473</b>	<b>3,691</b>	<b>4,623</b>	<b>3,691</b>	<b>46,436</b>	<b>3,691</b>	<b>3,691</b>	<b>3,691</b>	<b>35,922</b>	<b>3,691</b>	<b>3,691</b>	<b>5,641</b>	<b>178,927</b>	<b>171,923</b>	<b>179,446</b>
		3,985	5,849	3,985	76,475	3,985	3,985	3,985	58,681	3,985	3,985				
<b><u>Expenditure - Functional</u></b>															
<b><i>Governance and administration</i></b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>7,931</b>	<b>95,172</b>	<b>98,118</b>	<b>103,190</b>
Executive and council	2,614	2,614	2,614	2,614	2,614	2,614	2,614	2,614	2,614	2,614	2,614	2,614	31,370	31,908	34,274
Finance and administration	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	5,317	63,802	66,210	68,916
Internal audit												–	–	–	–
<b><i>Community and public safety</i></b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>409</b>	<b>4,902</b>	<b>5,155</b>	<b>5,527</b>
Community and social services	309	309	309	309	309	309	309	309	309	309	309	309	3,702	4,055	4,427
Sport and recreation	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,100	1,100
<b><i>Economic and environmental services</i></b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,794</b>	<b>2,795</b>	<b>33,532</b>	<b>34,402</b>	<b>35,415</b>
Planning and development												–	–	–	–
Road transport	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	2,719	32,622	33,492	34,505
Environmental protection	76	76	76	76	76	76	76	76	76	76	76	76	910	910	910
<b><i>Trading services</i></b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>401</b>	<b>4,805</b>	<b>4,805</b>	<b>6,805</b>
Energy sources	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	5,000
Waste management	150	150	150	150	150	150	150	150	150	150	150	151	1,805	1,805	1,805
<b><i>Other</i></b>												–	–	–	–
<b>Total Expenditure - Functional</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,534</b>	<b>11,535</b>	<b>138,411</b>	<b>142,480</b>	<b>150,937</b>
<b>Surplus/(Deficit) before assoc.</b>	<b>48,938</b>	<b>(7,844)</b>	<b>(6,912)</b>	<b>(7,844)</b>	<b>34,901</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>24,387</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>(5,894)</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>
Share of surplus/ (deficit) of associate												–	–	–	–
<b>Surplus/(Deficit)</b>	<b>48,938</b>	<b>(7,844)</b>	<b>(6,912)</b>	<b>(7,844)</b>	<b>34,901</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>24,387</b>	<b>(7,844)</b>	<b>(7,844)</b>	<b>(5,894)</b>	<b>40,516</b>	<b>29,443</b>	<b>30,509</b>

**Table 19 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Single-year expenditure to be appropriated</u></b>															
Vote 1 - Council General			200		100		100			100		–	500	–	–
Vote 5 - Community Services			2,680	2,680	2,680	2,680	2,680	2,680	2,680	2,680	2,680	2,696	26,816	4,443	18,499
Vote 12 - Public Works	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	13,200	25,000	12,000
Vote 15 - Waste/Refuse Removal												–	–	–	–
<b>Capital single-year expenditure sub-total</b>	<b>1,100</b>	<b>1,100</b>	<b>3,980</b>	<b>3,780</b>	<b>3,880</b>	<b>3,780</b>	<b>3,880</b>	<b>3,780</b>	<b>3,780</b>	<b>3,880</b>	<b>3,780</b>	<b>3,796</b>	<b>40,516</b>	<b>29,443</b>	<b>30,499</b>

**Table 20 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description R thousand	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b><u>Capital Expenditure - Functional</u></b>															
<b><i>Governance and administration</i></b>	–	–	200	500	100	–	100	500	–	100	–	–	1,500	–	–
Executive and council			200	500	100		100	500		100		–	1,500	–	–
												–	–	–	–
<b><i>Community and public safety</i></b>	–	–	1,992	1,992	1,992	1,992	1,992	1,992	1,992	1,992	1,992	7,492	25,416	4,443	18,499
Community and social services			722	722	722	722	722	722	722	722	722	722	7,216	1,943	18,499
Sport and recreation			1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	1,270	12,700	2,500	–
Housing												5,500	5,500	–	–
<b><i>Economic and environmental services</i></b>	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,134	13,600	–	–
Planning and development															

Road transport	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,133	1,134	13,600	25,000	12,000
<i>Other</i>												-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>1,133</b>	<b>1,133</b>	<b>3,325</b>	<b>3,625</b>	<b>3,225</b>	<b>3,125</b>	<b>3,225</b>	<b>3,625</b>	<b>3,125</b>	<b>3,225</b>	<b>3,125</b>	<b>8,625</b>	<b>40,516</b>	<b>29,443</b>	<b>30,499</b>
<b>Funded by:</b>															
National Government	16,250				13,000				9,766			-	39,016	29,443	30,499
Transfers recognised - capital	16,250	-	-	-	13,000	-	-	-	9,766	-	-	-	39,016	29,443	30,499
Internally generated funds			200	500	100		100	500		100		-	1,500	-	-
<b>Total Capital Funding</b>	<b>16,250</b>	<b>-</b>	<b>200</b>	<b>500</b>	<b>13,100</b>	<b>-</b>	<b>100</b>	<b>500</b>	<b>9,766</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>40,516</b>	<b>29,443</b>	<b>30,499</b>

Table 21 MBRR SA30 - Budgeted monthly cash flow

MONTHLY CASH FLOWS	Budget Year 2017/18												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Cash Receipts By Source</b>													1		
Property rates	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,250	27,000	28,000	30,000
Service charges - refuse revenue	142	142	142	142	142	142	142	142	142	142	142	138	1,700	1,750	1,800
Service charges - other												-			
Rental of facilities and equipment	38	38	38	38	38	38	38	38	38	38	38	38	450	500	550
Interest earned - external investments	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,000	1,000
Interest earned - outstanding debtors	354	354	354	354	354	354	354	354	354	354	354	354	4,250	3,825	3,400
Dividends received												-			
Fines, penalties and forfeits	95	95	95	95	95	95	95	95	95	95	95	105	1,150	1,200	1,050
Licenses and permits												-			

Agency services	163	163	163	163	163	163	163	163	163	163	163	163	1,950	2,100	2,200
Transfer receipts - operational	41,532	–	1,932	–	30,745	–	–	–	22,465			–	96,674	97,638	102,570
Other revenue	32	32	32	32	32	32	32	32	32	32	32	33	385	440	500
<b>Cash Receipts by Source</b>	<b>44,705</b>	<b>3,173</b>	<b>5,105</b>	<b>3,173</b>	<b>33,918</b>	<b>3,173</b>	<b>3,173</b>	<b>3,173</b>	<b>25,638</b>	<b>3,173</b>	<b>3,173</b>	<b>3,180</b>	<b>134,759</b>	<b>136,453</b>	<b>143,070</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	16,250				13,000				9,766			–	39,016	29,443	30,499
Decrease (increase) in non-current investments												–			
<b>Total Cash Receipts by Source</b>	<b>60,955</b>	<b>3,173</b>	<b>5,105</b>	<b>3,173</b>	<b>46,918</b>	<b>3,173</b>	<b>3,173</b>	<b>3,173</b>	<b>35,404</b>	<b>3,173</b>	<b>3,173</b>	<b>3,180</b>	<b>173,775</b>	<b>165,896</b>	<b>173,569</b>
<b>Cash Payments by Type</b>															
Employee related costs	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	4,972	59,664	64,188	69,030
Remuneration of councillors	750	750	750	750	750	750	750	750	750	750	750	750	9,000	9,460	10,060
Finance charges	100	100	100	100	100	100	100	100	100	100	100	100	1,200	1,100	1,000
Contracted services	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,405	2,416	28,871	27,166	27,991
Transfers and grants - other municipalities												–			
Transfers and grants - other	165	165	165	165	165	165	165	165	165	165	165	185	2,000	2,000	2,000
Other expenditure	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,180	2,196	26,176	26,637	27,862
<b>Cash Payments by Type</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,572</b>	<b>10,619</b>	<b>126,911</b>	<b>130,551</b>	<b>137,943</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	–	–	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,051	4,057	40,516	29,443	30,499
Repayment of borrowing	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,000	–
Other Cash Flows/Payments												–			
<b>Total Cash Payments by Type</b>	<b>10,822</b>	<b>10,822</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,873</b>	<b>14,926</b>	<b>170,427</b>	<b>162,994</b>	<b>168,442</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>50,133</b>	<b>(7,649)</b>	<b>(9,768)</b>	<b>(11,700)</b>	<b>32,045</b>	<b>(11,700)</b>	<b>(11,700)</b>	<b>(11,700)</b>	<b>20,531</b>	<b>(11,700)</b>	<b>(11,700)</b>	<b>(11,746)</b>	<b>3,348</b>	<b>2,902</b>	<b>5,127</b>
Cash/cash equivalents at the month/year begin:	1,317	51,450	43,801	34,034	22,334	54,379	42,679	30,979	19,280	39,811	28,111	16,411	1,317	4,665	7,567
Cash/cash equivalents at the month/year end:	51,450	43,801	34,034	22,334	54,379	42,679	30,979	19,280	39,811	28,111	16,411	4,665	4,665	7,567	12,694

## 2.10 Annual budgets and SDBIPs – internal departments

Tables 22 and 23 show the monthly departmental SDBIP for expenditure and income respectively. The detailed SDBIP will be submitted separately.

### 2.10.1 Table 22 - SDBIP Expenditure

Details	Budget 2017/18	July	August	September	October	November	December	January	February	March	April	May	June
Council General	18,466,000	1,538,840	1,538,840	1,538,840	1,538,840	1,538,830	1,538,830	1,538,830	1,538,830	1,538,830	1,538,830	1,538,830	1,538,830
Municipal Manager	17,904,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000	1,492,000
Corporate Services	23,823,000	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250	1,985,250
Community Services	11,352,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000	946,000
Library	1,773,000	147,750	147,750	147,750	147,750	147,750	147,750	147,750	147,750	147,750	147,750	147,750	147,750
Traffic	3,229,000	269,090	269,090	269,090	269,090	269,080	269,080	269,080	269,080	269,080	269,080	269,080	269,080
Motor Licensing	1,264,000	105,340	105,340	105,340	105,340	105,330	105,330	105,330	105,330	105,330	105,330	105,330	105,330
Finance	25,577,000	2,131,410	2,131,410	2,131,410	2,131,410	2,131,420	2,131,420	2,131,420	2,131,420	2,131,420	2,131,420	2,131,420	2,131,420
Technical Services	21,179,000	1,764,910	1,764,910	1,764,910	1,764,910	1,764,920	1,764,920	1,764,920	1,764,920	1,764,920	1,764,920	1,764,920	1,764,920
Road and Stormwater Maintenance	9,650,000	804,170	804,170	804,170	804,170	804,170	804,170	804,170	804,170	804,160	804,160	804,160	804,160
Building & Infrastructure Main	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Cemetery	1,179,000	98,250	98,250	98,250	98,250	98,250	98,250	98,250	98,250	98,250	98,250	98,250	98,250
Environmental Management	910,000	75,840	75,840	75,840	75,840	75,830	75,830	75,830	75,830	75,830	75,830	75,830	75,830
Cleansing and Solid Waste Mgt	1,805,000	150,420	150,420	150,420	150,420	150,420	150,420	150,420	150,420	150,410	150,410	150,410	150,410
Pounds	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Capital Expenditure	40,516,000	0	0	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600	4,051,600
	<b>178,927,000</b>	<b>11,534,270</b>	<b>11,534,270</b>	<b>15,585,870</b>	<b>15,585,870</b>	<b>15,585,850</b>	<b>15,585,850</b>	<b>15,585,850</b>	<b>15,585,850</b>	<b>15,585,830</b>	<b>15,585,830</b>	<b>15,585,830</b>	<b>15,585,830</b>



**2.10.2 Table 23 - SDBIP Income**

Details	Budget 2017/18	July	August	September	October	November	December	January	February	March	April	May	June
Rates: Penalties	1,000,000	83,400	83,400	83,400	83,400	83,300	83,300	83,300	83,300	83,300	83,300	83,300	83,300
Fees: Photocopies	15,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Fees: Rates Clearance	5,000	435	415	415	415	415	415	415	415	415	415	415	415
Grants: Equitable Share	87,377,000	36,407,000	0	0	0	29,125,000	0	0	0	21,845,000	0	0	0
Grants:FMG	1,900,000	1,900,000	0	0	0	0	0	0	0	0	0	0	0
Provincial Government: Library Services	932,000	0	0	932,000	0	0	0	0	0	0	0	0	0
EPWP Program	2,065,000	826,000	0	0	0	619,500	0	0	0	619,500	0	0	0
Provincial Government: LUMS	1,000,000	1,000,000	0	0	0	0	0	0	0	0	0	0	0
Provincial Government: SDF	400,000	400,000	0	0	0	0	0	0	0	0	0	0	0
Interest: Investments	1,200,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Interest: Arrear Accounts	5,000,000	416,700	416,700	416,700	416,700	416,700	416,700	416,700	416,700	416,600	416,600	416,600	416,600
Interest: Current Account	75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Rent: Facilities	450,000	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
Assessment Rates	31,000,000	2,600,000	2,600,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000	2,580,000
Fines	2,000	170	170	170	170	165	165	165	165	165	165	165	165
Rent: Facilities	60,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Fines	50,000	4,160	4,160	4,160	4,160	4,170	4,170	4,170	4,170	4,170	4,170	4,170	4,170
Fees: Learner License	250,000	20,840	20,840	20,840	20,840	20,830	20,830	20,830	20,830	20,830	20,830	20,830	20,830
Fees: Driver's License	1,000,000	83,340	83,340	83,340	83,340	83,330	83,330	83,330	83,330	83,330	83,330	83,330	83,330
Fees	950,000	79,170	79,170	79,170	79,170	79,165	79,165	79,165	79,165	79,165	79,165	79,165	79,165
Fees: Building Plans	75,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Fees: Tender Fees	150,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500
Capital Grants	39,016,000	16,250,000	0	0	0	13,000,000	0	0	0	9,766,000	0	0	0
INEP Grant	3,000,000	1,000,000	0	1,000,000	0	1,000,000	0	0	0	0	0	0	0
Fees: Burial	5,000	435	415	415	415	415	415	415	415	415	415	415	415
Fees: Services	1,950,000	162,500	162,500	162,500	162,500	162,500	162,500	162,500	162,500	162,500	162,500	162,500	162,500
	<b>178,927,000</b>	<b>61,402,900</b>	<b>3,619,860</b>	<b>5,531,860</b>	<b>3,599,860</b>	<b>47,344,240</b>	<b>3,599,740</b>	<b>3,599,740</b>	<b>3,599,740</b>	<b>35,830,140</b>	<b>3,599,640</b>	<b>3,599,640</b>	<b>3,599,640</b>

## 2.11 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

## 2.12 Capital expenditure details

The following two tables' present details of the municipality's capital expenditure programme on new assets and on the repair and maintenance of assets.

**Table 24 MBRR SA 34a - Capital expenditure on new assets by asset class**

Description  R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Capital expenditure on new assets by Asset Class/Sub-class</u></b>			
<b><u>Infrastructure</u></b>	<b>9,400</b>	<b>17,000</b>	<b>12,000</b>
Roads Infrastructure	9,400	17,000	12,000
<i>Roads</i>	9,400	17,000	12,000
<b><u>Community Assets</u></b>	<b>18,216</b>	<b>4,443</b>	<b>18,499</b>
Community Facilities	6,516	1,943	18,499
<i>Halls</i>	3,000		5,000
<i>Crèches</i>	1,700		3,000
<i>Purls</i>	416	1,943	5,999
<i>Taxi Ranks/Bus Terminals</i>	1,400		4,500
Sport and Recreation Facilities	11,700	2,500	–

<i>Outdoor Facilities</i>	11,700	2,500	
<b><u>Computer Equipment</u></b>	<b>500</b>	–	–
Computer Equipment	500		
<b><u>Machinery and Equipment</u></b>	<b>1,000</b>	–	–
Machinery and Equipment	1,000		
<b>Total Capital Expenditure on new assets</b>	<b>29,116</b>	<b>21,443</b>	<b>30,499</b>

**Table 25 MBRR SA34b Capital expenditure on the renewal of existing assets by asset class**

Description  R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Capital expenditure on renewal of existing assets by Asset Class/Sub-class</u></b>			
<b><u>Infrastructure</u></b>	<b>8,300</b>	<b>8,000</b>	–
Roads Infrastructure	8,300	8,000	–
<i>Roads</i>	8,300	8,000	
<b><u>Community Assets</u></b>	<b>3,100</b>	–	–
Community Facilities	2,100	–	–
<i>Halls</i>	600		
<i>Crèches</i>	700		
<i>Public Open Space</i>	800		
Sport and Recreation Facilities	<b>1,000</b>	–	–
<i>Outdoor Facilities</i>	1,000		
<b>Total Capital Expenditure on renewal of existing assets</b>	<b>11,400</b>	<b>8,000</b>	–

**Table 26 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Repairs and maintenance expenditure by Asset Class/Sub-class</u></b>			
<b><u>Infrastructure</u></b>	<b>9,430</b>	<b>8,430</b>	<b>9,430</b>
Roads Infrastructure	9,430	8,430	9,430
Roads	9,430	8,430	9,430
<b><u>Community Assets</u></b>	<b>2,950</b>	<b>1,950</b>	<b>2,950</b>
Community Facilities	2,950	1,950	2,950
Halls	2,000	1,000	2,000
Crèches	100	100	100
Public Ablution Facilities	850	850	850
<b><u>Other assets</u></b>	<b>3,000</b>	<b>3,000</b>	<b>1,000</b>
Operational Buildings	3,000	3,000	1,000
Municipal Offices	3,000	3,000	1,000
<b><u>Furniture and Office Equipment</u></b>	<b>10</b>	<b>10</b>	<b>10</b>
Furniture and Office Equipment	10	10	10
<b>Total Repairs and Maintenance Expenditure</b>	<b>15,390</b>	<b>13,390</b>	<b>13,390</b>

**Table 27 MBRR SA34 (d) – Depreciation by Asset Class**

Description  R thousand	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
<b><u>Depreciation by Asset Class/Sub-class</u></b>			
–			
<b><u>Infrastructure</u></b>	<b>5,600</b>	<b>5,350</b>	<b>5,600</b>
Roads Infrastructure	5,600	5,350	5,600
Roads	5,600	5,350	5,600
<b><u>Other assets</u></b>	<b>2,900</b>	<b>3,275</b>	<b>3,650</b>
Operational Buildings	2,900	3,275	3,650
Municipal Offices	2,900	3,275	3,650
<b><u>Intangible Assets</u></b>	<b>270</b>	<b>310</b>	<b>330</b>
Licenses and Rights	270	310	330
Computer Software and Applications	270	310	330
<b><u>Computer Equipment</u></b>	<b>650</b>	<b>735</b>	<b>820</b>
Computer Equipment	650	735	820
<b><u>Furniture and Office Equipment</u></b>	<b>630</b>	<b>700</b>	<b>780</b>
Furniture and Office Equipment	630	700	780
<b><u>Machinery and Equipment</u></b>	<b>75</b>	<b>75</b>	<b>85</b>
Machinery and Equipment	75	75	85
<b><u>Transport Assets</u></b>	<b>1,375</b>	<b>1,555</b>	<b>1,735</b>
Transport Assets	1,375	1,555	1,735
<b>Total Depreciation</b>	<b>11,500</b>	<b>12,000</b>	<b>13,000</b>

Table 34(e)) is not populated since there is no capital budget for upgrade of existing assets

Table 35 is not populated since there is no future financial implications of the capital budget

Table 28 MBRR SA36 - Detailed capital budget per municipal vote

Municipal Vote/Capital project  R thousand	Program/Project description	Individually Approved (Yes/No)  6	Asset Class  3	Asset Sub-Class  3	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information	
						Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location	New or renewal
Parent municipality: <i>List all capital projects grouped by Municipal Vote</i>												
Thokozane Road	Upgrade of Road	Yes	Roads Infrastructure	Roads	3,800			3,800			1	Renewal
New Hanover Sportsfield	Construction of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities	1,000			1,000			2	Renewal
Mount Elias Hall	Renovation of Hall	Yes	Community Facilities	Halls	600			600			3	Renewal
Mblanhle Creche	Renovation of Creche	Yes	Community Facilities	Crèches	700			700			4	Renewal
Kwantanzi Road	Upgrade of Road	Yes	Roads Infrastructure	Roads	800			800			4	Renewal
Bhamshela Taxi Rank	Construction of Taxi Rank	Yes	Roads Infrastructure	Taxi Ranks/Bus Terminals	1,400			1,400			5	New
Gwala Road - Phase 2	Construction of Road	Yes	Roads Infrastructure	Roads	2,000			2,000			5	New
Estezi Creche	Construction of Creche	Yes	Community Facilities	Crèches	1,900			1,900			6	New
Community Sportsfield	Construction of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities	11,000			11,000			7	New
Housing Infrastructure: uMshwathi Ridge	Construction of Roads Infrastructure	Yes	Roads Infrastructure	Roads	5,500			5,500			9	New
High Masst Lighting	Upgrade of High Mast Lighting	Yes	Community Facilities	Unspecified	800			800			10	Renewal
Gqugquma Creche	Construction of Creche	Yes	Community Facilities	Crèches	1,700			1,700			11	New
Ndlebezeembuzi	Extension of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities	700			700			12	New
Ndlavaleni Road	Upgrade of Road	Yes	Roads Infrastructure	Roads	3,700			3,700			13	Renewal
Sicolele Community Hall	Construction of Hall	Yes	Community Facilities	Halls	3,000			3,000			14	New
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified	300			300			14	New
Consultants	Road Designs	Yes	Roads Infrastructure	Roads	116			116			All	New

Plant and Equipment	Purchase of Plant	Yes	Machinery and Equipment	Unspecified	1,000		1,000			All	New
Computer Equipment	Purchase of Computer Equipment	Yes	Computer Equipment	Computer Software and Applications	500		500			All	New
Ekhamanzi Sportsfield	Construction of Sportsfield	Yes	Sport and Recreation Facilities	Outdoor Facilities	2,500		2,500			3	New
Kwantanzi Access Road	Rehabilitation of Access Road	Yes	Roads Infrastructure	Roads	3,000		3,000			4	Renewal
Mbeka Road	Upgrade of Road	Yes	Roads Infrastructure	Roads	5,000		5,000			8	Renewal
Road L714	Tarring of Road L714	Yes	Roads Infrastructure	Roads	5,500		5,500			9	New
Road L714	Tarring of Road L714	Yes	Roads Infrastructure	Roads	5,500		5,500			10	New
Road D1013	Tarring of Road D1013	Yes	Roads Infrastructure	Roads	6,000		6,000			12	New
Consultants	Road Designs	Yes	Roads Infrastructure	Roads	1,943		1,943			All	New
Road D329	Tarring of D329	Yes	Roads Infrastructure	Roads	6,000			6,000		1	New
Roads: New Hanover Extension	Tarring of roads in New Hanover Ext	Yes	Roads Infrastructure	Roads	6,000			6,000		2	New
Makhani Hall	Construction of Hall	Yes	Community Facilities	Halls	2,000			2,000		4	New
Bhamshela Taxi Rank	Construction of Taxi Rank - Phase 2	Yes	Roads Infrastructure	Taxi Ranks/Bus Terminals	4,500			4,500		5	New
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified	2,000			2,000		6	New
Creche	Construction of Creche	Yes	Community Facilities	Crèches	1,500			1,500		11	New
Nkululeko Hall	Construction of Hall	Yes	Community Facilities	Halls	3,000			3,000		12	New
High Mast Lighting	Construction of High Mast Lighting	Yes	Community Facilities	Unspecified	2,000			2,000		13	New
Glenside Creche	Construction of Creche	Yes	Community Facilities	Crèches	1,500			1,500		14	New
Consultants	Road Designs	Yes	Roads Infrastructure	Roads	1,999			1,999		All	New
<b>Parent Capital expenditure</b>							<b>40,516</b>	<b>29,443</b>	<b>30,499</b>		

Table 37 is not populated since there are no projects delayed from the previous year

**Table 29 MBRR SA38 – Consolidated detailed operational projects**

Municipal Vote/Operational project	Program/Project description	Individually Approved (Yes/No)	Asset Class	Asset Sub-Class	Total Project Estimate	Prior year outcomes		2015/16 Medium Term Revenue & Expenditure Framework			Project information
R thousand		6				Audited Outcome 2013/14	Current Year 2014/15 Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18	Ward location
Parent municipality:  Electrification	Provision of Electrification in Wards 1 and 3	Yes	<i>Electrical Infrastructure</i>	<i>Distribution</i>	3,000			3,000	5,000	5,000	Wards 1 and 3



## 2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format is fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.
2. Internship programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed six interns undergoing training in various divisions of the Financial Services Department. The interns have completed their two-year contract on 31 January 2015, and their term was extended for another year. The new set of interns are in the process of being appointed. The appointments will be finalised by 30 June 2016.
3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee  
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2017/18 MTREF in May 2016 and is directly aligned and informed by the 2017/18 IDP.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. Minimum Competency Levels  
All Heads of Departments have achieved their minimum competency levels. All employees within the BTO have either completed their MFMP/CPMD training.
8. Policies  
Subsequent to the amendment of the Municipal Property Rates Regulations ratios as prescribed are complied with.

## 2.14 Other supporting documents

The supporting tables to the A1 schedules are attached to this document,

## 2.15 Municipal manager's quality certificate

I Mr. N.M. Mabaso, municipal manager of uMshwathi Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name     Mr. N.M. Mabaso

Municipal manager of uMshwathi Municipality

Signature     \_\_\_\_\_

Date     \_\_\_\_\_